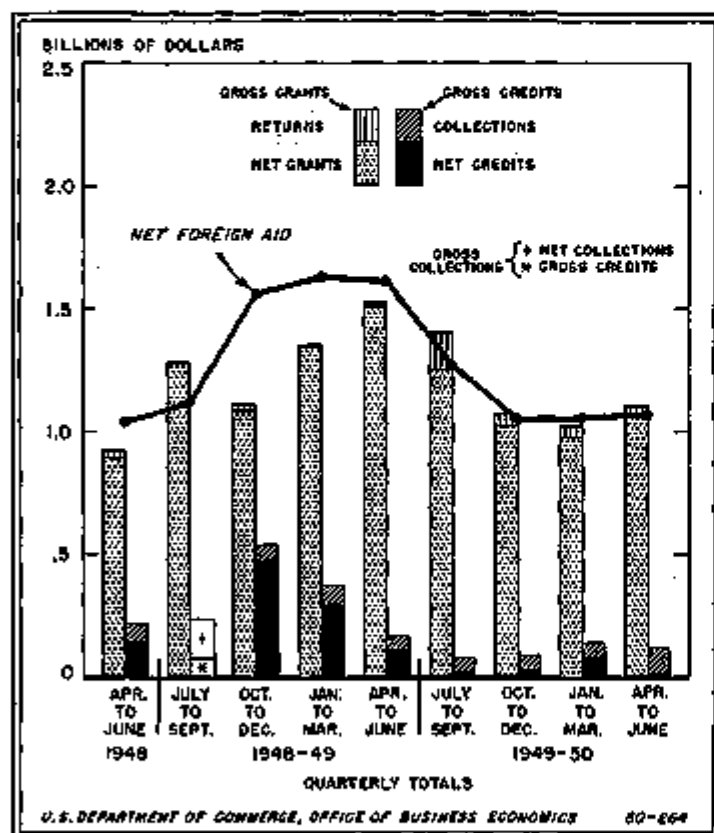


Foreign Transactions of the U. S. Government in Fiscal 1950

GROSS foreign aid extended by the United States Government in the form of cash or goods and services in the fiscal year ended June 30, 1950 declined to \$5 billion from the high of \$6.4 billion in the previous year. This represented the sharpest year-to-year change during the postwar period, and brings the 1946-50 annual average to \$5.7 billion.

The decline, as chart 1 makes clear, was greater for credits than for grants. The latter accounted for 92 percent of total aid in fiscal year 1950—as against 83 percent in the preceding year.

Chart 1.—U. S. Government Foreign Grants, Credits, and Net Foreign Aid Since Inception of European Recovery Program



Source of data: U. S. Department of Commerce, Office of Business Economics.

Other transactions of the United States Government abroad, mainly cash disbursements and receipts for goods and services, were also lower than in the preceding year. Thus the excess of disbursements over receipts declined from \$1.4 billion in 1949 to \$800 million in fiscal year 1950.

Outstanding among the new developments of the past fiscal year were (a) the initiation of the Mutual Defense Assistance Program (MDAP), (b) the enactment of legislation to implement the Point Four Program which had been

stressed by the President in his inaugural address early in 1949, and (c) the establishment of a new program of economic aid for the Far East.

Gross foreign aid rendered by the United States Government in the five postwar years ended June 30, 1950 aggregated \$28.1 billion, with its composition as shown in table 1. This is exclusive of the Government's investment of \$3.4 billion in the International Bank for Reconstruction and Development and the International Monetary Fund.

Government aid has played a substantial part in financing the export surplus of the United States throughout the postwar period. The recent decline in aid has been accompanied by an even greater reduction in the margin of exports over imports.¹ Moreover, the sharp curtailment of aid in the form of long-term Government credits has contributed to the reversal in the flow of net foreign investment.

Returns to U. S. increasing

The objectives of the major foreign-aid programs in the postwar period have varied from the supplying of elementary civilian needs to economic reconstruction and development—and, more recently, to the attainment of military security. To the extent that the objectives have been achieved, the United States has also gained in economic well-being and security, although these are hardly capable of measurement in financial terms.

In addition, a number of tangible returns have been received in the form of reverse grants, and returns on grants, as well as collections of principal on credits. By deducting these from gross foreign aid for the period in which the returns were reported, the net flow of aid for any given period is derived. On this basis, net foreign aid declined from \$5.9 billion in fiscal year 1949 to \$4.4 billion in 1950, evidencing a decline somewhat larger than the reduction in gross foreign aid. The difference was the result, of course, of the small increase in aggregate returns.

To the extent that collections of principal will increase in the future on the basis of repayment schedules, returns should rise, having the effect of further reducing net foreign aid.

Three countries—the United Kingdom, Germany, and France—accounted for almost half of the total net foreign aid in fiscal 1950. As shown in chart 2, aid to China declined most sharply from 1949 to 1950, but substantial declines were recorded for almost all of the major countries.

Congressional authorizations mount

Gross foreign aid is measured largely on the basis of cash disbursements for commodities purchased through private channels of trade, or actual shipments of Government-procured items. Realization of this aid in the foreign economy normally lags behind the procurement authorizations or the obligation of funds for budget purposes. There is therefore a substantial carry-over from one year to the next under most foreign-aid programs.

Largely as a consequence of this lag, \$5.4 billion of aid

NOTE: This article was prepared by the Clearing Office for Foreign Transactions, Office of Business Economics, and is a summarization of data compiled and published in detail each quarter by that Office.

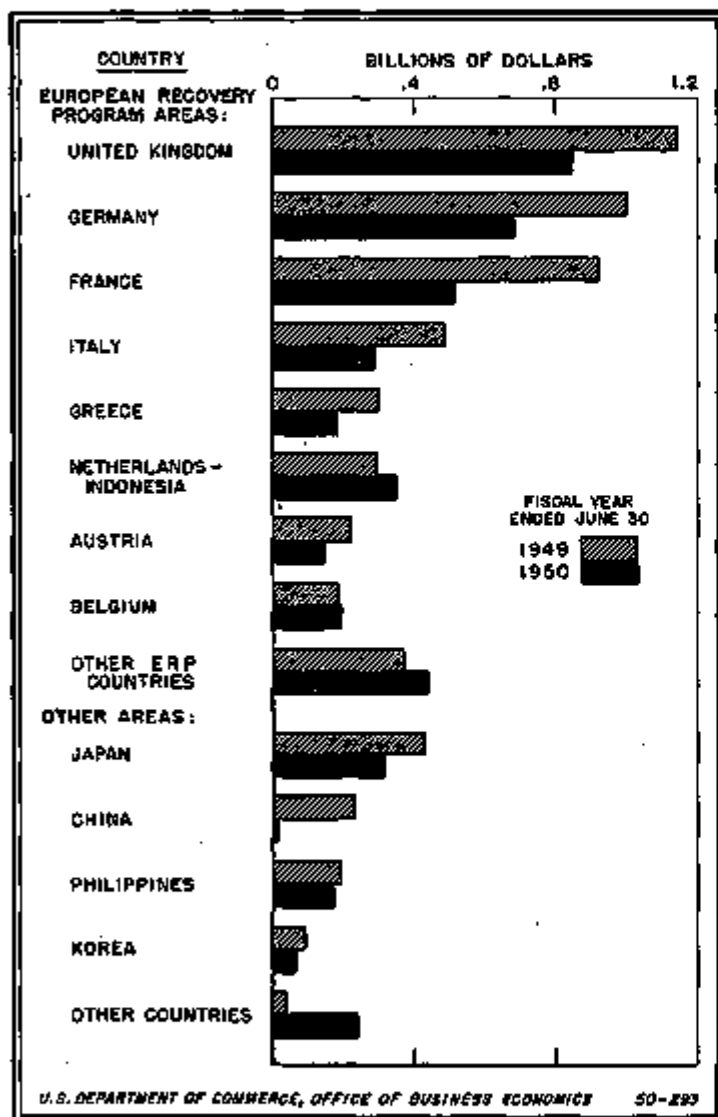
¹ See SURVEY OF CURRENT BUSINESS, September 1950, "Balance of International Payments, Second Quarter of 1950" by Walter Lederer.

authorized earlier was available after the end of the 1950 fiscal year for the continuance of foreign-aid programs. About two-thirds was designated for grants and the remainder for credits.

Developments touched off by the invasion of South Korea on June 25, 1950, have greatly altered the outlook for additional new foreign aid and other activities abroad.

New authorizations and appropriations by Congress from July through September 1950 will provide \$8.7 billion in addition to the carry-over—making a total of \$14.1 billion now available for grants and credits after July 1, 1950. Almost all of the new funds are for grants; the only new credit authority is that of \$62.5 million for a loan to Spain.

Chart 2.—U. S. Government Net Foreign Aid, by Countries



Source of data: U. S. Department of Commerce, Office of Business Economics.

The Korean crisis was also largely responsible for the supplemental appropriation of \$4 billion for MDAP—almost half of the new appropriation now in prospect for fiscal year 1951. Because of the time required to procure many articles of heavy equipment, especially military items, a substantial part of these newly appropriated funds will not be translated into actual shipments by the end of the present fiscal year. However, if these available funds were to be fully utilized, cumulative postwar gross foreign aid would then exceed \$42 billion.

European Recovery Program predominates

By the end of the 1950 fiscal year the European Recovery Program had accounted for gross aid of \$7.6 billion, or 60 percent of all foreign aid extended within the 27-month period that the program had been in operation. Although the actual aid rendered declined from \$4.1 billion in fiscal year 1949 to \$3.4 billion in 1950—in accordance with the plan for its gradual reduction—it increased in relative significance in that time from 63 to 68 percent of all foreign aid. With the growing importance of military aid, the proportion of the total represented by the European Recovery Program will undoubtedly decline in fiscal year 1951.

The European Recovery Program has been essentially on a grant basis; loans and other credits have accounted for no more than an eighth of gross ERP aid through June 30, 1950. However, the decline in this aid between fiscal years 1949 and 1950 took place largely in credits; aid on a grant basis increased. There had been a growing realization that many member countries had approached the limit of their credit as evidenced by their probable capacity to repay. Thus, the proportion of gross ERP aid on a credit basis declined sharply from 21 percent in 1949 to 3 percent in fiscal year 1950.

Whereas in the first year of ERP more than half of the aid was in food, feed, fertilizer, and fuel, the proportion of such commodities declined to less than one-third in the year ended June 30, 1950. Capital goods in the form of raw materials and semifinished products, with machinery and vehicles, became the major items.

The broad economic impact of the recovery program is indicated by the fact that at the end of June only two-thirds of the total program expenditures were for commodities produced in the United States—the remainder coming primarily from Canada and the American Republics as well as directly from the participating countries. Moreover, the aid data grouped by participating member countries as in tables 2 and 3 do not indicate the broad geographical scope of other phases of the program—such as projects involving technical assistance or the development of deficiency materials for the United States stockpile.

For example, at least six ERP participants—Belgium, Denmark, France, Netherlands, Portugal, and the United Kingdom—are receiving technical assistance in the development of their dependent territories. The bulk of these approved projects have been in Africa, but others are in the Western Hemisphere and in the Far East. While only a small amount of total available aid has been allocated for this purpose, this activity represents a significant precursor to the President's Point Four Program, discussed below.

European Payments Union created

Aid under the ERP has been allotted to participating countries as a general rule on the basis of the dollars needed to balance the international accounts of each participant in the program. For the most part, aid is accounted for in terms of dollar payments for private shipments, and the cost of United States Government shipments; that is, the basis of the record shown in tables 1 and 2. However, since the program is based on the principle of mutual aid—each participant, according to its ability, being obligated to help others—part of the grant aid rendered by the United States to the various participants has been governed by the amount of their own contributions of goods supplied to other participants. As a consequence the total aid received by each participant may be more or less than that directly provided by the United States.

The effects of the operation of this procedure—known as the intra-European payments plan—are shown in table 3.

On the basis of "resulting" aid received, the United Kingdom and France were much more nearly on a par than is indicated by the record of dollar aid provided directly by the United States. Belgium-Luxembourg and Sweden by the end of fiscal 1950 had converted all their dollar aid, and more, into aid in the form of goods supplied to other members of the plan.

The intra-European payments plan was found wanting in a number of respects, since it was based on bilateral payment arrangements financed by conditional grants from ECA. Consideration was therefore given throughout much of the past year to the development of a new system which would provide for multilateral settlements with progressively steeper terms of payment in dollars and gold, designed to encourage each country to approach a sustainable balance in its international transactions.

Early in July the Council of the Organization for European Economic Cooperation approved a European Payments Union employing such a plan augmented by agreements calling for a gradual elimination of quantitative restrictions on intra-European trade. This step will be encouraged and facilitated by use of the congressional appropriation of \$500 million specifically made for this purpose.

Distribution of Foreign Grants

Gross grant aid by the United States Government decreased one-eighth to \$4.6 billion in fiscal year 1950, from \$5.3 billion in the previous fiscal year. Reverse grants and other returns on grants, though of much smaller magnitude than grants, increased fivefold in those 2 years to total \$0.3 billion in the last fiscal year. Thus, net grants of the United States Government in the fiscal year ended last June 30 decreased almost \$0.9 billion, or by over one-sixth, from the previous year.

Chart 1 has shown how quarterly gross grants ranged in fiscal 1949 from \$1.1 billion to a peak of \$1.5 billion, then fell throughout the first 3 quarters of fiscal year 1950 to a low of \$1 billion before rising again to over \$1.1 billion in the last quarter. Net grants, heavily influenced by the preponderance of gross grant aid over the returns and reverse grants in recent quarters, followed a similar course. This close relationship did not prevail in the war period when returns—largely in the form of reverse lend-lease—were highly significant.

The major component in the decline of both gross and net grants was the decrease of \$0.4 billion in civilian supplies provided in the occupied areas during fiscal 1950. Another major decrease in grants was in economic assistance to China, which was almost completely curtailed. Military aid to China and to Greece and Turkey under earlier programs diminished and was only partially offset by aid flowing under the new Mutual Defense Assistance Program during the last quarter of fiscal year 1950.

With the European Recovery Program as the principal vehicle for United States Government grants in the past couple of years, the ERP area through this and other grant programs accounted for \$3.6 billion of United States net grants in fiscal year 1950, considerably less than in 1949.

As the magnitude of United States aid under ERP cumulated to a new peak last year, most European nations participating in the recovery program were relieved of the drain on their gold and dollar reserves and recovered part of earlier losses. They have also increased their production and foreign trade.

MDAP spurred by Korean crisis

Perhaps the most significant activity of the past year was the development of the Mutual Defense Assistance Program,

an outgrowth of the North Atlantic Treaty signed on April 4, 1949. The military assistance eventually to be provided under this program will not only further the plans for integrating the defense of the North Atlantic area, but will also embrace other strategic areas.

The Mutual Defense Assistance Act of 1949 (approved October 6, 1949) authorized \$1,000 million for the signatories of the North Atlantic Treaty and \$211 million for continuation of Greek-Turkey military aid. It also authorized \$28 million for aid to Iran, Korea, and the Philippines, and \$75 million for assistance in "the general area of China"—as an emergency fund for the President to use at his discretion. Further, the act authorized transfers of property (excess to United States needs) equivalent to \$450 million, to go to all areas under the act. Provision was made for the purchase of military items from the United States for cash where foreign countries have collective defense or regional arrangements with this country.

Agreements as required under the act were signed on January 27, 1950 with Belgium, Denmark, France, Italy, Luxembourg, Netherlands, Norway, and the United Kingdom, clearing the way for actual shipments under the program. An agreement with Korea had been signed on January 26. On March 11 there was an exchange of notes with the Philippines extending the 1947 military assistance agreement.

Through this program the United States Government not only supplies military equipment, but provides technical and training assistance and aid designed to increase military production facilities abroad. To the extent that these activities impinge on the civilian economy, as they inevitably must, close coordination is required with other United States programs for economic aid.

Military assistance under the Mutual Defense Assistance Program did not begin to move until March 1950, and therefore totaled only \$71 million in the 1950 fiscal year. Marked impetus was given to the program by the Korean situation, however, which led to a stepping up in September of the total amount authorized to \$7.2 billion, including \$0.7 billion in excess property.

Point Four implemented by legislation

Extensive groundwork was laid in the fiscal year for the future economic development of foreign areas under the proposal of the President which has become universally known as Point Four. Of the two types of legislation introduced in the Eighty-first Congress, one provided for an expanded program of technical assistance similar to that extended for some years to American Republics by various agencies now merged into the Institute of Inter-American Affairs of the State Department and more recently to ERP countries, China, and Korea by the Economic Cooperation Administration. The other type of legislation would provide encouragement to the outflow of private investment and is described below in more detail in the section devoted to guaranties.

The first aspect of the Point Four Program was formally established by the Act for International Development (approved June 5, 1950) for which almost \$35 million was appropriated in September 1950. This program will also include the scientific and technical cooperative assistance previously provided foreign countries under the Smith-Mundt Act and programs for cooperation with the American Republics.

Guaranty program develops slowly

The second phase of the Point Four Program mentioned above has been developed to a certain extent under ERP arrangements for the conversion into dollars of proceeds from foreign investments and sales abroad made by United States private enterprises in the ERP area. Those covering indus-

trial investments have bulked largest, accounting for over \$22 million out of a total of \$29 million issued by the end of June. One contract for an oil refinery in Italy represented more than half of the total. Guaranties of returns from the sale of motion pictures and other informational media, principally in western Germany, accounted for the greater part of the remaining \$6 million.

The Economic Cooperation Act of 1950 (approved June 5, 1950) increased the amount available for guaranties from \$150 million to \$200 million. In addition, authority was granted to guarantee proceeds of investments in ERP countries involving intangibles such as patents, processes, and techniques. Of special significance is the provision in this act which authorizes guaranty against the risk of loss through expropriation or confiscation by action of the government of a participating country. ECA has predicted an increased interest in guaranties of investment by American business in European private enterprises as a result of the expanded provisions of the new act.

Guaranties somewhat similar to those now being offered by ECA, though more extensive in their coverage, also are being proposed under the Point Four Program. In both sessions of the Eighty-first Congress bills were introduced to authorize the Export-Import Bank to guarantee United States private capital invested in foreign productive enterprises which contribute to the economic development of their countries.

Such proposals would have the guaranties assure (1) the conversion into United States dollars of foreign currency derived from investments and (2) compensation in United States dollars for loss resulting from seizure by action of public authority. This would implement one of the recommendations made by the President in his special message of June 24, 1949, in elaboration of Point Four. These guaranties would not cover ordinary business risks, would not assure a profit or insure against a loss, but would guarantee against certain risks peculiar to foreign investments.

Although it is impossible to predict how effective the offer of such guaranties may be in encouraging the investment of additional private capital abroad, there seems to be a real possibility that they may well serve to stimulate the flow of such capital.

Economic-aid program for Far East in development stage

A new program of economic aid to the countries of southeast Asia was announced in May 1950, to be carried out by ECA in conjunction with the State Department. The China Area Aid Act (approved June 5, 1950) earmarked \$54 million for activities in China and Formosa and for the training of Chinese students in the United States, and further provided that the balance previously appropriated—amounting to over \$40 million—be used in "the general area of China." As an initial phase of this program, aid is being extended to Indochina (States of Cambodia, Laos, and Vietnam) to reinforce the joint effort of France and these new States in the restoration of security and stability. Economic assistance agreements have been signed with Burma, Thailand, and Indonesia. By the end of September 1950 procurement authorizations had been issued by ECA covering aid to Indochina, Indonesia, and Thailand.

Foreign Credits and Collections

In the immediate postwar period a sizable part of United States Government gross foreign aid was in the form of loans and other long-term credits. However, after the peak period of April-September 1947, when the heaviest withdrawals under the British loan occurred, credits generally declined,

and by fiscal year 1950 represented less than one-tenth of gross foreign aid.

Loan disbursements and other credit utilizations decreased from \$1,140 million in the 1949 fiscal year to \$407 million in 1950. In the past year as a whole, \$196 million of credit aid represented disbursements on Export-Import Bank loans and \$133 million aid provided on a loan basis by the Economic Cooperation Administration. The remainder consisted mainly of raw cotton furnished to the military government of Japan on a credit basis and disbursements on the United Nations headquarters loan.

Principal collections during fiscal 1950 were less than in the previous year, dropping from \$432 million to \$280 million. However, excluding the repayment of the Canadian EIB loan as the result of private refinancing, collections in the 2 years were about the same—although interest collections increased slightly in fiscal 1950. Principal and interest are scheduled to reach a maximum (approximately \$500 million) in fiscal years 1952 and 1953, and thereafter to decline.

Outstanding principal indebtedness to the United States Government increased \$127 million during the past year, reaching \$9,952 million as of June 30, 1950. This increase in outstandings (which represents net foreign aid on a credit basis) was only one-fifth of the corresponding increase in the previous fiscal year.

Gross credit authorizations, consisting of new authorizations and increases in prior commitments, dropped from \$1,253 million in fiscal year 1949 to \$532 million in 1950. New ECA commitments declined by almost 90 percent whereas EIB commitments more than doubled.

Cash Transactions for Goods and Services

In addition to fiscal 1950 expenditures in the form of direct cash grants and credits, the United States Government disbursed over \$1.8 billion abroad for goods and services. Although these expenditures (shown for major countries in table 4) have furnished a significant source of dollars to foreign areas, they include certain amounts representing the equivalent of foreign currencies originally acquired through other than direct dollar purchases—such as collections of principal and interest on credits, or as counterpart funds. They also include certain large amounts representing military pay and other disbursements to United States personnel abroad which do not constitute payments to a foreign country.

United States Government disbursements for goods and services in fiscal year 1950 were less than two-thirds of the comparable amount for the preceding year. Several major factors were responsible for this decline. Foreign disbursements by the military agencies (which comprised two-thirds of the total in both years) fell by \$500 million in fiscal year 1950. As the activities of the armed forces in occupied foreign areas diminished, decreases occurred in military pay and allowances, purchases of supplies and materials, and in every other major category of expenditure.

A reduction in the amounts of supplies and materials purchased abroad for transfer under United States Government foreign-aid programs or for other purposes was the principal cause of a decrease of over \$200 million in nonmilitary disbursements. However, disbursements for nonmilitary installations and construction, pensions and contributions, claim payments, and memberships in international organizations, increased over the prior year.

Commodity purchases fluctuate

Data on the foreign procurement of certain commodities by the United States Government shed further light on the past decline in disbursements for goods and services abroad.

Table 1.—Summary of Foreign Aid (Grants and Credits), by Program, July 1, 1945, Through June 30, 1950

(Millions of dollars)

| Program | Total post-war period | Before European Recovery Program period | During European Recovery Program period | | | | | | | | | | | |
|---|-----------------------|---|---|----------------|----------------------------|------------|-----------|-----------|-----------|--------|------------|-----------|-----------|-----------|
| | | | Total | 1948 Apr.-June | Fiscal years ended June 30 | | | | | | | | | |
| | | | | | 1949 | | | | | 1950 | | | | |
| | | | | | Total | July-Sept. | Oct.-Dec. | Jan.-Mar. | Apr.-June | Total | July-Sept. | Oct.-Dec. | Jan.-Mar. | Apr.-June |
| Gross Foreign Aid ¹ | 23,605 | 15,484 | 12,531 | 1,136 | 6,423 | 1,355 | 1,648 | 1,734 | 1,685 | 5,022 | 1,454 | 1,187 | 1,168 | 1,221 |
| Grants utilized | 12,967 | 8,061 | 10,816 | 954 | 5,275 | 1,283 | 1,111 | 1,255 | 1,624 | 4,617 | 1,410 | 1,074 | 1,027 | 1,104 |
| Less: Credit-agreement offsets to grants | 1,254 | 1,203 | 3 | | 1 | 1 | | | (?) | 2 | | | | 2 |
| Credits utilized | 10,445 | 8,088 | 1,722 | 211 | 1,140 | 71 | 537 | 309 | 104 | 407 | 74 | 83 | 133 | 117 |
| Less: Returns | 2,001 | 947 | 1,144 | 85 | 494 | 236 | 87 | 87 | 74 | 643 | 208 | 103 | 101 | 183 |
| Reverse grants and returns on grants | 785 | 423 | 302 | 26 | 51 | 2 | 24 | 12 | 16 | 283 | 151 | 51 | 41 | 40 |
| Principal collected on credits | 1,306 | 424 | 782 | 70 | 432 | 230 | 68 | 73 | 68 | 280 | 68 | 32 | 60 | 113 |
| Equals: Net Foreign Aid | +25,365 | +14,537 | +11,427 | +1,046 | +5,329 | +1,177 | +1,561 | +1,637 | +1,624 | +4,409 | +1,278 | +1,054 | +1,069 | +1,068 |
| Net grants | +18,820 | +9,375 | +10,457 | +830 | +5,220 | +1,282 | +1,087 | +1,243 | +1,608 | +4,382 | +1,260 | +1,023 | +1,027 | +1,084 |
| Net credits | +6,545 | +5,162 | +970 | +216 | +1,109 | -105 | +474 | +394 | +1,016 | +127 | +19 | +31 | +33 | +14 |
| Grants Utilized | 18,847 | 9,451 | 10,816 | 924 | 5,275 | 1,283 | 1,111 | 1,255 | 1,624 | 4,617 | 1,410 | 1,074 | 1,027 | 1,104 |
| Land-lease | 1,957 | 1,957 | | | | | | | | | | | | |
| European recovery | 4,750 | | 3,750 | 201 | 3,549 | 607 | 527 | 606 | 1,118 | 3,338 | 941 | 707 | 770 | 851 |
| Civilian supplies | 4,669 | 2,309 | 2,310 | 242 | 1,143 | 443 | 227 | 300 | 213 | 730 | 334 | 188 | 118 | 98 |
| UNRRA, post-UNRRA, and interim aid | 3,444 | 3,172 | 270 | 217 | 54 | 49 | 4 | 2 | (?) | Cr. 1 | (?) | (?) | (?) | (?) |
| Greek-Turkish aid | 612 | 105 | 477 | 95 | 258 | 88 | 78 | 62 | 43 | Cr. 1 | 41 | 35 | 34 | 33 |
| Philippines rehabilitation | 519 | 130 | 389 | 23 | 103 | 46 | 40 | 53 | 44 | 172 | 60 | 47 | 38 | 27 |
| Chinese stabilization and aid | 410 | 130 | 280 | 1 | 200 | 76 | 58 | 49 | 51 | 10 | 10 | Cr. 8 | 6 | 4 |
| Korean aid | 71 | | 71 | | 11 | | | 3 | 8 | 60 | 3 | 15 | 23 | 20 |
| Technical assistance and inter-American aid | 152 | 66 | 87 | 4 | 25 | 3 | 7 | 7 | 8 | 27 | 8 | 7 | 7 | 6 |
| Mutual-defense assistance | 71 | 70 | 71 | | 101 | 12 | 33 | 24 | 36 | 91 | 24 | 27 | 24 | 23 |
| Other | 312 | | 312 | 36 | 104 | 12 | 33 | 24 | 36 | 91 | 24 | 27 | 24 | 23 |
| Reverse Grants and Returns on Grants | 785 | 423 | 382 | 26 | 84 | 2 | 24 | 12 | 16 | 283 | 151 | 51 | 41 | 40 |
| Reverse land-lease | 123 | 123 | 1 | 1 | | | | | | | | | | |
| Returns of merchant ships | 109 | 173 | 28 | 22 | 5 | 2 | 2 | 1 | | | | | | |
| War-account cash settlements | 170 | 117 | 2 | 2 | (?) | (?) | | | | | | | | |
| Counterpart funds | 231 | | 333 | | 60 | | 23 | 19 | 10 | 233 | 100 | 50 | 41 | 48 |
| Credits Utilized | 10,445 | 8,088 | 1,722 | 211 | 1,140 | 71 | 637 | 309 | 104 | 407 | 74 | 83 | 133 | 117 |
| Special British loan | 3,750 | 3,750 | | | | | | | | | | | | |
| Export-Import Bank | 2,451 | 2,451 | 144 | 144 | 214 | 49 | 65 | 61 | 45 | 190 | 36 | 41 | 50 | 68 |
| Direct loans | 2,309 | 1,942 | 660 | 145 | 211 | 30 | 60 | 50 | 42 | 180 | 33 | 30 | 40 | 58 |
| Loans through agent banks | 152 | 140 | 8 | 8 | Cr. 17 | Cr. 21 | Cr. 11 | 11 | 4 | 10 | 1 | 5 | 10 | 1 |
| Land-lease (excluding settlement credits) | 88 | 60 | 8 | 1 | 2 | (?) | | 1 | (?) | 3 | 2 | (?) | 1 | (?) |
| Credit-agreement offsets to grants | 1,204 | 1,233 | 3 | | 1 | 1 | | | (?) | 2 | | | | 2 |
| Surplus property (including merchant ships) | 1,339 | 1,233 | 100 | 57 | 48 | 17 | 3 | 20 | 8 | (?) | (?) | (?) | | |
| European recovery | 867 | | 987 | | 854 | 1 | 475 | 250 | 96 | 123 | 18 | 30 | 55 | 37 |
| Other | 301 | 209 | 90 | (?) | 18 | 2 | (?) | 6 | 10 | 12 | 20 | 11 | 17 | 25 |
| Principal Collected on Credits | 1,306 | 624 | 782 | 70 | 432 | 230 | 68 | 73 | 68 | 280 | 68 | 32 | 60 | 113 |
| Export-Import Bank | 631 | 107 | 435 | 23 | 278 | 178 | 20 | 55 | 26 | 135 | 40 | 22 | 40 | 32 |
| Direct loans | 453 | 140 | 324 | 12 | 240 | 164 | 13 | 43 | 21 | 83 | 26 | 11 | 20 | 16 |
| Loans through agent banks | 198 | 48 | 101 | 10 | 38 | 14 | 7 | 12 | 5 | 52 | 14 | 11 | 10 | 17 |
| Land-lease (excluding settlement credits) | 22 | 30 | 12 | (?) | 11 | 5 | (?) | (?) | 1 | 1 | (?) | | (?) | 1 |
| Credit-agreement offsets to grants | 22 | 30 | 12 | 2 | 5 | 2 | 3 | (?) | (?) | 4 | (?) | 1 | 1 | 3 |
| Surplus property (including merchant ships) | 124 | 20 | 94 | 0 | 45 | 14 | 8 | 10 | 15 | 40 | 7 | 12 | 6 | 12 |
| Other | 407 | 278 | 228 | 40 | 88 | 37 | 31 | 10 | 11 | 100 | 7 | 18 | 10 | 65 |

¹ Assistance in cash or in goods and services provided to foreign countries, directly or through international organizations, without an immediate equivalent return, comprises foreign aid as the term is used in this article. On the one hand, the assistance may be rendered with a contractual or other agreement that there will be repayment over an extended period of time; this type of assistance is classified as a credit. On the other hand, the assistance may take the form of an outright gift for which no payment is expected, or which at most involves an obligation on the part of the recipient to extend reciprocal aid to the United States or other countries to achieve a common objective; in all such cases the aid is considered a grant. If the terms of repayment depend on some future settlement, the aid is also considered a grant. When an agreement has been reached as to repayment over a period of time, a credit is established, but no aid is considered as having been given at that time. Because such credits cannot, as a rule, be deducted from specific grants they are included in both categories. The amount of such credit-agreement offsets to grants must therefore be deducted from the total of grants and credits in arriving at gross foreign aid.

² Credit of less than \$500,000.

³ Less than \$500,000.

Source: U. S. Department of Commerce, Office of Business Economics.

For example, procurement of \$42 million of tin ore by the Reconstruction Finance Corporation in fiscal year 1950 amounted to little more than half that of the previous fiscal year. Tin ore is bought by RFC for the Government-owned tin smelter in Texas which produces refined tin for sale to domestic consumers or for transfer to stockpile. Until recently RFC had authorization to operate this plant only until June 30, 1951; the uncertainty of continued operation tended to handicap the negotiation of contracts and purchases. However, RFC received authorization from Congress in August 1950 to operate the smelter until June 30, 1956.

Procurement of sugar by the Commodity Credit Corporation of the Agriculture Department declined from \$67 million in fiscal year 1949 to \$29 million in the following year. This sugar was purchased primarily for the Army for civilian

supply in the occupied areas of Germany and Japan, and for ECA when that agency began to administer the civilian-supply program for Germany. Foreign purchases of sugar by CCC were not required for Japan in fiscal year 1950 as that country obtained most of its supplies directly from Formosa.

Foreign purchases for stockpile

In fiscal 1950 purchases of materials for stockpile by the United States Government amounted to \$400 million, of which about three-fourths represented materials of foreign origin.

Foreign procurement for the stockpile with appropriated funds is made largely through domestic importers and brokers and does not represent Government purchases abroad. On the other hand, purchases of strategic and critical materials

Table 2.—Summary of Foreign Aid (Grants and Credits), by Major Country, Apr. 1, 1940, Through June 30, 1950

| [Millions of dollars] | | | | | | | | | | | | |
|--|---------|-----------|--------|------------|-----------|-----------|-----------|--------|------------|-----------|-----------|-----------|
| Major country | Total | 1945 | 1940 | | | | | 1938 | | | | |
| | | Apr.-June | Total | July-Sept. | Oct.-Dec. | Jan.-Mar. | Apr.-June | Total | July-Sept. | Oct.-Dec. | Jan.-Mar. | Apr.-June |
| Gross Foreign Aid (Grants and Credits) * | 12,571 | 1,136 | 6,413 | 1,355 | 1,643 | 1,724 | 1,687 | 5,022 | 1,485 | 1,157 | 1,100 | 1,221 |
| Less: Returns | 1,144 | 94 | 480 | 238 | 88 | 87 | 74 | 363 | 200 | 103 | 101 | 153 |
| Equals: Net foreign aid | +11,427 | +1,040 | +5,933 | +1,117 | +1,555 | +1,637 | +1,613 | +4,659 | +1,285 | +1,054 | +999 | +1,068 |
| Net grants | +10,451 | +899 | +5,290 | +1,088 | +1,388 | +1,463 | +1,437 | +4,333 | +1,250 | +1,024 | +986 | +1,004 |
| Net credits | +976 | +141 | +643 | +229 | +167 | +174 | +176 | +326 | +30 | +31 | +13 | +64 |
| ERP countries and participating dependent areas: | | | | | | | | | | | | |
| Gross foreign aid | 9,803 | 810 | 5,105 | 1,005 | 1,335 | 1,392 | 1,372 | 4,048 | 1,104 | 834 | 827 | 1,023 |
| Less: Returns | 930 | 58 | 193 | 49 | 45 | 42 | 36 | 400 | 175 | 75 | 70 | 89 |
| Equals: Net foreign aid | +8,873 | +752 | +4,912 | +956 | +1,290 | +1,350 | +1,336 | +3,648 | +929 | +759 | +757 | +934 |
| Net grants | +8,398 | +709 | +4,664 | +917 | +1,267 | +1,301 | +1,281 | +3,503 | +880 | +745 | +720 | +903 |
| Net credits | +475 | +43 | +248 | +139 | +163 | +149 | +155 | +145 | +149 | +114 | +37 | +31 |
| British Commonwealth: United Kingdom: | | | | | | | | | | | | |
| Gross foreign aid | 2,287 | 102 | 1,212 | 188 | 157 | 200 | 207 | 653 | 272 | 258 | 214 | 220 |
| Less: Returns | 207 | 34 | 57 | 8 | 27 | 18 | 16 | 100 | 20 | 37 | 20 | 20 |
| Equals: Net foreign aid | +2,080 | +68 | +1,155 | +180 | +130 | +182 | +191 | +553 | +252 | +221 | +194 | +200 |
| Net grants | +1,837 | +77 | +1,075 | +167 | +123 | +172 | +184 | +486 | +230 | +220 | +188 | +191 |
| Net credits | +243 | +9 | +77 | +13 | +7 | +10 | +7 | +67 | +22 | +1 | +6 | +9 |
| France: | | | | | | | | | | | | |
| Gross foreign aid | 1,750 | 191 | 830 | 205 | 212 | 257 | 260 | 618 | 173 | 122 | 153 | 140 |
| Less: Returns | 125 | (3) | 25 | 10 | 4 | 10 | 2 | 101 | 60 | 0 | 18 | 7 |
| Equals: Net foreign aid | +1,625 | +194 | +805 | +195 | +208 | +247 | +258 | +517 | +113 | +122 | +135 | +133 |
| Net grants | +1,499 | +168 | +783 | +180 | +204 | +247 | +258 | +480 | +118 | +122 | +135 | +133 |
| Net credits | +126 | +26 | +22 | +15 | +10 | +10 | +2 | +37 | +1 | +0 | +0 | +0 |
| Germany: | | | | | | | | | | | | |
| Gross foreign aid | 1,978 | 232 | 1,022 | 302 | 217 | 272 | 231 | 731 | 203 | 184 | 140 | 134 |
| Less: Returns | 98 | 13 | 13 | 11 | 1 | (3) | (3) | 40 | 23 | 4 | 4 | 8 |
| Equals: Net foreign aid | +1,912 | +219 | +1,009 | +291 | +216 | +275 | +234 | +691 | +180 | +180 | +136 | +126 |
| Net grants | +1,938 | +232 | +1,022 | +302 | +217 | +272 | +231 | +731 | +203 | +184 | +140 | +134 |
| Net credits | -26 | -13 | -12 | -11 | -1 | -3 | -2 | -40 | -23 | -4 | -4 | -8 |
| Greece: | | | | | | | | | | | | |
| Gross foreign aid | 594 | 84 | 307 | 83 | 80 | 75 | 69 | 209 | 83 | 66 | 62 | 40 |
| Less: Returns | 26 | (3) | 7 | 2 | 2 | 2 | 2 | 10 | 0 | 0 | 3 | 3 |
| Equals: Net foreign aid | +568 | +87 | +300 | +81 | +78 | +73 | +67 | +199 | +83 | +66 | +59 | +37 |
| Net grants | +573 | +83 | +305 | +83 | +78 | +73 | +68 | +204 | +83 | +66 | +59 | +37 |
| Net credits | -5 | +4 | -5 | -2 | -2 | -3 | -1 | -5 | +1 | +0 | +0 | +0 |
| Italy: | | | | | | | | | | | | |
| Gross foreign aid | 923 | 99 | 507 | 95 | 95 | 100 | 146 | 316 | 82 | 80 | 77 | 100 |
| Less: Returns | 57 | 8 | 20 | 3 | 0 | 4 | 7 | 30 | 6 | 3 | 14 | 6 |
| Equals: Net foreign aid | +866 | +91 | +487 | +92 | +95 | +96 | +139 | +286 | +76 | +77 | +63 | +94 |
| Net grants | +731 | +74 | +380 | +87 | +84 | +84 | +127 | +208 | +67 | +66 | +50 | +82 |
| Net credits | +135 | +17 | +107 | +5 | +11 | +12 | +8 | +78 | +9 | +11 | +13 | +12 |
| Netherlands-Indonesia: | | | | | | | | | | | | |
| Gross foreign aid | 708 | 23 | 304 | 50 | 20 | 58 | 61 | 350 | 126 | 42 | 54 | 130 |
| Less: Returns | 40 | 1 | 7 | 2 | 1 | 2 | 2 | 23 | 13 | 3 | 4 | 6 |
| Equals: Net foreign aid | +668 | +22 | +297 | +48 | +19 | +56 | +59 | +327 | +113 | +39 | +50 | +124 |
| Net grants | +620 | +15 | +280 | +46 | +18 | +56 | +59 | +304 | +113 | +39 | +50 | +124 |
| Net credits | +48 | +7 | +17 | +2 | +1 | +0 | +0 | +23 | +0 | +0 | +0 | +0 |
| Other ERP countries: | | | | | | | | | | | | |
| Gross foreign aid | 1,720 | 90 | 803 | 100 | 185 | 220 | 273 | 817 | 185 | 206 | 208 | 240 |
| Less: Returns | 86 | 3 | 23 | 0 | 4 | 4 | 8 | 72 | 26 | 10 | 17 | 10 |
| Equals: Net foreign aid | +1,634 | +87 | +780 | +100 | +181 | +216 | +265 | +745 | +159 | +196 | +191 | +230 |
| Net grants | +1,633 | +86 | +779 | +99 | +180 | +215 | +264 | +744 | +158 | +195 | +190 | +229 |
| Net credits | +1 | +1 | +1 | +1 | +5 | +1 | +9 | +1 | +1 | +1 | +1 | +1 |
| Other Europe: | | | | | | | | | | | | |
| Gross foreign aid | 52 | 10 | 10 | 4 | 7 | 4 | 3 | 22 | 4 | 2 | 7 | 20 |
| Less: Returns | 30 | 1 | 2 | (3) | 8 | 13 | 3 | 11 | 1 | 0 | 3 | 3 |
| Equals: Net foreign aid | +22 | +9 | +8 | +7 | +1 | +1 | +2 | +11 | +3 | +2 | +4 | +17 |
| Net grants | +22 | +9 | +8 | +7 | +1 | +1 | +2 | +11 | +3 | +2 | +4 | +17 |
| Net credits | +0 | +0 | +0 | +0 | +0 | +0 | +0 | +0 | +0 | +0 | +0 | +0 |
| American Republics: | | | | | | | | | | | | |
| Gross foreign aid | 215 | 10 | 96 | 18 | 22 | 25 | 30 | 103 | 28 | 23 | 32 | 10 |
| Less: Returns | 9 | 8 | 49 | 24 | 10 | 17 | 17 | 42 | 7 | 11 | 9 | 14 |
| Equals: Net foreign aid | +206 | +2 | +47 | +14 | +12 | +8 | +13 | +61 | +21 | +12 | +23 | +6 |
| Net grants | +206 | +2 | +47 | +14 | +12 | +8 | +13 | +61 | +21 | +12 | +23 | +6 |
| Net credits | +0 | +0 | +0 | +0 | +0 | +0 | +0 | +0 | +0 | +0 | +0 | +0 |
| China: | | | | | | | | | | | | |
| Gross foreign aid | 322 | 20 | 276 | 59 | 88 | 60 | 54 | 20 | 11 | Cr 4 | 8 | 4 |
| Less: Returns | 57 | 7 | 44 | 11 | 3 | 21 | 9 | 6 | 2 | 1 | (3) | 2 |
| Equals: Net foreign aid | +265 | +13 | +232 | +48 | +85 | +39 | +45 | +14 | +9 | +0 | +5 | +2 |
| Net grants | +265 | +13 | +232 | +48 | +85 | +39 | +45 | +14 | +9 | +0 | +5 | +2 |
| Net credits | -38 | +4 | -38 | -9 | -2 | -20 | -7 | -3 | -1 | -1 | -1 | -1 |
| Japan: | | | | | | | | | | | | |
| Gross foreign aid | 950 | 98 | 407 | 144 | 85 | 124 | 114 | 402 | 165 | 102 | 69 | 57 |
| Less: Returns | 150 | 15 | 41 | 26 | 15 | 15 | 3 | 61 | 16 | 6 | 5 | 64 |
| Equals: Net foreign aid | +800 | +83 | +366 | +118 | +70 | +109 | +111 | +341 | +149 | +96 | +64 | +33 |
| Net grants | +800 | +83 | +366 | +118 | +70 | +109 | +111 | +341 | +149 | +96 | +64 | +33 |
| Net credits | -50 | -17 | -50 | -20 | -15 | -15 | -3 | -60 | -15 | -10 | -10 | -30 |
| Korea: | | | | | | | | | | | | |
| Gross foreign aid | 188 | 20 | 97 | 22 | 24 | 27 | 24 | 75 | 14 | 17 | 21 | 20 |
| Less: Returns | 12 | 4 | 4 | 1 | 1 | 1 | 1 | 6 | 1 | 1 | 1 | 1 |
| Equals: Net foreign aid | +176 | +16 | +93 | +21 | +23 | +26 | +23 | +69 | +13 | +16 | +20 | +19 |
| Net grants | +176 | +16 | +93 | +21 | +23 | +26 | +23 | +69 | +13 | +16 | +20 | +19 |
| Net credits | +0 | +0 | +0 | +0 | +0 | +0 | +0 | +0 | +0 | +0 | +0 | +0 |
| Philippines: | | | | | | | | | | | | |
| Gross foreign aid | 201 | 23 | 106 | 47 | 51 | 58 | 44 | 173 | 50 | 47 | 49 | 27 |
| Less: Returns | 1 | (3) | 1 | (3) | (3) | (3) | (3) | 1 | (3) | (3) | (3) | (3) |
| Equals: Net foreign aid | +200 | +26 | +105 | +44 | +54 | +61 | +41 | +172 | +47 | +44 | +46 | +24 |
| Net grants | +200 | +26 | +105 | +44 | +54 | +61 | +41 | +172 | +47 | +44 | +46 | +24 |
| Net credits | +1 | +0 | +1 | +0 | +0 | +0 | +0 | +1 | +0 | +0 | +0 | +0 |
| All other countries: | | | | | | | | | | | | |
| Gross foreign aid | 472 | 133 | 188 | 30 | 35 | 48 | 47 | 180 | 40 | 38 | 62 | 51 |
| Less: Returns | 255 | 1 | 158 | 150 | 0 | 2 | 1 | 6 | 2 | 1 | (3) | 1 |
| Equals: Net foreign aid | +217 | +132 | +33 | +180 | +35 | +46 | +46 | +174 | +38 | +37 | +59 | +50 |
| Net grants | +217 | +132 | +33 | +180 | +35 | +46 | +46 | +174 | +38 | +37 | +59 | +50 |
| Net credits | +0 | +0 | +0 | +0 | +0 | +0 | +0 | +0 | +0 | +0 | +0 | +0 |

* See footnote 1 to Table 1.

† Net (+) of less than \$50,000.

‡ Less than \$50,000.

§ Net (-) of less than \$50,000.

* Includes data not allocable to specific areas.

† Includes data for international organizations and data not allocable to specific areas.

Source: U. S. Department of Commerce, Office of Business Economics.

Table 3.—European Recovery Program Aid, Received and Provided, by Country: Apr. 8, 1948, Through June 30, 1950
(Millions of dollars)

| Country | Total | Aid received from the United States | | | | Aid under intra-European payments plan ¹ | | | Resulting aid received (+) or provided (-) |
|---|-------|-------------------------------------|--------|---|--------------|---|--------------------------------|---------------------------------------|--|
| | | Grant basis | | | Credit basis | Received from other participants | Provided to other participants | | |
| | | Total | Direct | Conditional upon intra-European aid provided ¹ | | | Total | In excess of conditional aid received | |
| Total..... | 7,738 | 6,780 | 6,578 | 1,171 | 888 | 1,308 | 1,308 | 138 | +7,738 |
| Austria..... | 378 | 378 | 378 | 4 | — | 122 | 4 | — | +122 |
| Belgium-Luxembourg..... | 411 | 388 | 388 | 3 | 51 | 8 | 488 | 81 | -18 |
| British Commonwealth: United Kingdom..... | 1,287 | 1,042 | 1,078 | 364 | 325 | 75 | 304 | — | +1,078 |
| Denmark..... | 172 | 141 | 141 | 8 | 31 | 32 | 0 | — | +107 |
| France..... | 1,682 | 1,417 | 1,402 | 65 | 174 | 344 | 58 | — | +1,481 |
| Germany..... | 777 | 777 | 778 | 204 | — | 120 | 204 | — | +657 |
| Greece..... | 251 | 251 | 251 | — | — | 180 | — | — | +131 |
| Iceland..... | 10 | 8 | 4 | 4 | 2 | — | 4 | — | +7 |
| Ireland..... | 99 | 3 | 3 | — | 96 | — | — | — | +96 |
| Italy..... | 728 | 671 | 693 | 78 | 67 | 1 | 78 | — | +661 |
| Netherlands-Indonesia..... | 701 | 556 | 528 | 28 | 147 | 179 | 25 | — | +886 |
| Norway..... | 128 | 104 | 94 | 10 | 35 | 181 | 18 | — | +260 |
| Portugal..... | 5 | 1 | (*) | 1 | 4 | 14 | 7 | — | +12 |
| Sweden..... | 65 | 44 | — | 44 | 20 | 8 | 82 | 27 | -9 |
| Trieste..... | 21 | 21 | 21 | — | 1 | — | — | — | +22 |
| Turkey..... | 64 | 19 | (*) | 19 | 25 | 68 | 33 | 14 | +85 |
| Unallocated..... | 68 | 68 | 68 | — | — | — | — | — | +68 |

¹ Includes \$3,500,000 extended by Iceland to Germany and \$800,000 extended by Italy to Trieste outside of the intra-European payments plan.

² Less than \$300,000.

Source: U. S. Department of Commerce, Office of Business Economics.

Table 4.—Cash Disbursements and Receipts for Goods and Services Abroad, by Major Country, Fiscal Years Ended June 30, 1949, and 1950
(Millions of dollars)

| Major country | Fiscal year 1949 | | Fiscal year 1950 | |
|---|------------------|----------|------------------|----------|
| | Disbursements | Receipts | Disbursements | Receipts |
| Total | 2,859 | 628 | 1,317 | 486 |
| ERP countries and participating dependent areas | 878 | 262 | 515 | 186 |
| British Commonwealth: United Kingdom | 207 | 18 | 86 | 16 |
| France | 42 | 7 | 20 | 5 |
| Germany | 268 | 130 | 205 | 122 |
| Greece | 22 | 3 | 10 | 3 |
| Italy | 50 | 2 | 22 | 2 |
| Netherlands-Indonesia | 81 | 1 | 33 | 1 |
| Other ERP countries | 208 | 82 | 116 | 34 |
| Other Europe | 10 | 10 | 17 | 5 |
| American Republics | 229 | 31 | 120 | 49 |
| China | 37 | 11 | 7 | 1 |
| Japan | 328 | 143 | 206 | 148 |
| Korea | 78 | 17 | 7 | 3 |
| Philippines | 266 | 20 | 121 | 16 |
| All other countries ¹ | 239 | 184 | 180 | 88 |

¹ Includes transactions with international organizations and not allocable by specific areas.

Source: U. S. Department of Commerce, Office of Business Economics.

with counterpart funds of ECA are made directly abroad and do represent foreign procurement by the United States Government.²

ECA commitments for the purchase of strategic materials aggregated \$27 million in fiscal year 1950 as against \$38 million in 1949. After Korea that agency announced, in September 1950, that it will earmark more than \$138 million—largely in foreign currency—for the purchase of critical materials for United States stockpiling and for mining projects in the overseas territories of ERP members.

As of June 30, 1950, the estimated cost of the stockpile objective, including materials of domestic as well as foreign origin, was \$4 billion. There was on hand in the stockpile as of that date material valued at \$1.6 billion. Materials then programmed and on order for delivery in fiscal year 1951 amounted to \$0.5 billion.

² Counterpart funds are foreign currencies which accrue in connection with grants extended by this country, and agreements by ECA with participating countries provide that a certain portion shall be available for the use of the United States Government, including the purchase of materials in which the United States is deficient.

Cash receipts decline

United States Government cash receipts for goods and services furnished abroad in fiscal 1950 on other than a grant or credit basis totaled only \$0.5 billion, or \$0.8 billion less than disbursements. These receipts, shown by major country in table 4, are subject to some of the same qualifications already noted for disbursements for goods and services.

Total receipts in 1950 were \$193 million less than in the prior year as the net result of a sharp decline in United States Government receipts from sales, claim payments, and remittances; and a less sizable increase in all other receipts. Receipts were erratic throughout the year. However, in the final quarter they amounted to \$119 million, or almost the quarterly average for the year.

Consumer Buying and Credit Developments

(Continued from p. 15)

from the preceding year. By mid-1950, for example, typical maturities had lengthened to 24 months and in some instances to 36 months. The proportion of credit sales less restrictive than Regulation W requirements used in the table allows for the easing of terms in the recent period. There is also included an allowance for credit sales made on contract with maturities of 24 months or more, even though the down payment was in excess of the minimum required for Regulation W.

On the basis of these proportions about \$1.4 billion of credit purchases, or \$5.6 billion on an annual rate basis might be affected by the new restrictions. The volume of sales which will actually be eliminated would probably be much less, depending on the extent to which these purchasers can increase down payments or meet larger monthly outlays. On the arbitrary assumption that one-half of these expenditures would be cut off, a reduction of \$2.8 billion would result. It should be emphasized that some other proportion could also be defended. The assumption chosen may well overstate the restriction on household goods relative to the effect on automobiles in view of the smaller outlays generally involved for household appliances, television sets and other durables. On the other hand, the assumption understates the effects of controls on credit sales of firms which prior to controls typically sold on extremely "easy" terms.